

SUMMARY OF PROPOSED CHANGES

January 15, 2021

Topic	Intent of Changes	Current Requirements	Proposed Changes	Benefit of Change
1. Residential versus Commercial District Regulations	Differentiate Residential Districts from Commercial Districts since the tighter restrictions on mill levies and debt are intended to apply to residential districts only.	No distinction or different requirements for residential versus commercial districts	<ul style="list-style-type: none"> Add new definitions for Residential Districts versus Commercial Districts Stipulate that some of the regulations apply to only Residential Districts 	Enables City to separate requirements that are intended to provide greater protections for residents
2. Debt Mill Levy	Add parameters for unlimited mill levy for Residential Districts	<ul style="list-style-type: none"> If debt is > 50% of district's assessed valuation, Maximum Debt Mill Levy is 50 mills If debt is \leq 50% of district's assessed valuation, district not subject Maximum Debt Mill Levy Allows for Gallagher adjustment 	<p>Change when, or if, Maximum Debt Mill Levy can become unlimited for Residential Districts. Two options:</p> <p>1. OPTION 1 *Staff Recommendation. [Language for this option is reflected in the proposed model service plan changes]:</p> <p>Once Debt is \leq 50% of district's assessed valuation:</p> <ul style="list-style-type: none"> ➤ Prior to residents comprising a majority of the Metro District Board, Board may request Council approval for Debt Mill Levy to become unlimited; and/or ➤ Once the majority of the Board are comprised of residents, the Board can vote for the Debt Mill Levy to become unlimited by majority vote. <p>2. OPTION 2: Debt Mill Levy capped at 50 mills with no allowance for unlimited mill levy under any circumstance.</p>	<ul style="list-style-type: none"> More control over when mill levy becomes unlimited to protect residents Gives decision for unlimited mill levy to residents through resident-controlled Board of Directors unless District can provide data to City Council demonstrating how the unlimited mill levy would actually lower taxes, thereby saving residents money

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3. Debt and Interest Rates	<ul style="list-style-type: none"> Require itemization of costs justifying debt amount Expand definition of Debt to include all financial obligations that residents have to pay back Obtain lowest interest rates on Debt 	<ul style="list-style-type: none"> Does not address loans or other obligations such as Developer Advances Debt must be issued at market rate but otherwise does not provide much restriction on interest rates Does not address refinancing Engineer's Estimate of Probable Cost required but not currently included as service plan exhibit 	<ul style="list-style-type: none"> Expand definition of Debt to include any bond, note debenture, contract or any other financial obligation of the District Maximum net effective interest rate on any Debt (as newly defined) not to exceed 12% and shall be simple per annum interest, not compounded interest If new debt is issued at lower interest rate than initial debt, outstanding debt that is callable and allows for refinancing shall be refinanced and included in new debt issuance if in best interest of residents Public Improvements and cost estimates will be required as an exhibit to the service plan 	<ul style="list-style-type: none"> Achieve the lowest feasible interest rate on Debt to reduce overall tax payments of residents Increase transparency of Public Improvements costs that Debt is being issued to pay for
4. Operating Mill Levy	Limit and clarify Operating Mill Levy	<ul style="list-style-type: none"> Does not define an Operating Mill Levy separate from Debt Mill Levy Does not limit the amount of mills that can be imposed on taxpayers for ongoing administration, operations and maintenance costs 	<ul style="list-style-type: none"> Add definitions for Operating Mill Levy and Maximum Operating Mill Levy Describe the types of eligible expenses that can be paid with the Operating Mill Levy Set a Maximum Operating Mill Levy for residential Districts. This is a mill levy that cannot be used to pay debt (separate from Debt Mill Levy). Three options: <p>1. OPTION 1 *Staff Recommendation. [Language for this option is reflected in the proposed model service plan changes]:</p>	<ul style="list-style-type: none"> Provides assurance and predictability for residents regarding what their total mill levies (Debt Mill Levy and Operating Mill Levy) will be Prevents total mill levy from increasing to mills beyond what is indicated in the service plan

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			<p>Maximum Operating Mill Levy is 10 mills for Residential Districts unless:</p> <ul style="list-style-type: none"> ➤ Prior to residents comprising a majority of the Metro District Board, Board may request Council approval for mill levy higher than 10 mills with detailed justification; and/or ➤ Once the majority of the Board are comprised of residents, the Board can vote to increase the Maximum Mill Levy to any amount necessary by majority vote. <p>2. Option 2: The District could request a Maximum Operating Mill Levy higher than 10 mills at the time of the initial service plan.</p> <p>3. Option 3: For Residential Districts, the Maximum Operating Mill Levy would be capped at 10 mills with no allowance for an unlimited mill levy under any circumstance.</p>	
5. Fee Limitation	Limit the district's use of fees	No restriction on imposing fees for operation and maintenance expenses on End Users (residents)	<p>Operation and maintenance fees shall not be imposed on an End User subsequent to the issuance of a Certificate of Occupancy unless and until the majority of the Board are Residents, and a majority of the Board has voted in favor of imposing and collecting Fees for the purpose of funding operation and maintenance costs of the District.</p>	<ul style="list-style-type: none"> • Protects residents from having additional fees on top of taxes for operation and maintenance expenses • Gives decision for imposing and collecting operation and maintenance fees to residents through resident-controlled Board of Directors

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6. Growth Limitations	Indicate that there is no guarantee of building permits or water or wastewater systems capacity for proposed future development	District acknowledges that the City shall not be limited in implementing growth limitations which could reduce or delay development in the District	Expanded language to emphasize that approval of service plan does not constitute approval of building permits and City may choose to withhold, restrict, or condition the granting of building permits and the City does not guarantee capacity in its water or wastewater systems for proposed or future developments.	Provides upfront disclosure to districts that funding any Public Improvements prior to receiving building permits is at the district's risk and the City cannot guarantee water or wastewater capacity to ensure development.
7. Community Engagement	Ensure that residents have an adequate opportunity to participate in the District Board meetings and remain apprised of the District's operations and functions	Must comply with Colorado Revised Statutes, no additional City requirements	<ul style="list-style-type: none"> District must provide District information on a public website District must hold Board meetings within a 5 mile radius of District Boundaries, or within the City limits For virtual District Board meetings, District must provide written information to all residents on how to participate 	Makes it easier and more convenient for residents to access District information and attend Board meetings
8. Disclosure Requirements	Better ensure that homebuyers are explicitly informed in understandable language the purpose and financial impact of buying a home within a metro district, and that district information and documents are readily available on a website created and maintained by the district.	<ul style="list-style-type: none"> Nominal requirement for district to use reasonable efforts to disclose impact of mill levy and fees Meets state requirements for disclosure 	<ul style="list-style-type: none"> Disclosure must include a detailed list of specified information Adds disclosure form as exhibit to service plan Form must be signed by homebuyer at time of purchase contract to acknowledge receipt If subdivision plat is already recorded, district shall record disclosure notice prior to any building permits being issued District required to create and maintain a website with specified information 	<ul style="list-style-type: none"> Decreases likelihood that homebuyers will be unaware that they are purchasing a home within a metro district Provides homebuyers with significant information in clear language on the financial impact of the district and the purpose of the district so that homebuyers can better understand the tax ramifications

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9.Expiration Date THIS CHANGE IS NOT RECOMMENDED	In July 2020, Staff considered setting an expiration date so that if development did not occur and debt was not issued within a timely manner, the district's service plan and IGA would expire.	None.	Upon considering stakeholder comments, Staff is no longer recommending this change.	
10. Service Plan Compliance Remedies	Clarifies service plan amendment requirements and includes a separate paragraph describing City remedies for any material departures from a district's approved service plan	<ul style="list-style-type: none"> • City Code Section 66-65 identifies remedies • Model service plan includes a sentence in "Service Plan Amendment Requirement" with less detail than City Code 	<ul style="list-style-type: none"> • Removes remedy language from 'Service Plan Amendment Requirement' paragraph and refocuses content of that paragraph on amendments • Adds new paragraph addressing City remedies for material departure from service plan <ul style="list-style-type: none"> ➤ Injunctive relief shall not be the City's exclusive remedy ➤ City entitled to exercise all remedies available by law or in equity, including remedies set forth in City Code and suits for specific performance and/or monetary damages 	Provides better clarification
11. Annual Report Requirement to Identify Reimbursement Agreements	Identify reimbursement agreements of the district	No current requirement in Annual Report of Significant Events that District must submit to City	Adds a requirement that the district list any pending or anticipated reimbursement agreements entered into by the District	Creates greater transparency and awareness for future Board of Directors of Public Improvement cost reimbursements

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12. Approved Conceptual Site Plan (CSP) Requirement	Development should have an approved CSP to demonstrate need for district, identify accurate public improvement costs and justify debt amount	<ul style="list-style-type: none"> No codified requirement Staff has to negotiate changes to the service plan on a case-by-case basis when there's no approved CSP 	<ul style="list-style-type: none"> Amend City Code to require that a service plan approved prior to a CSP will not have authorizations for debt issuance or imposition of mill levies or fees District may still go through the organizational election City Council approval of a service plan amendment and an IGA required to identify debt and mill levy/fee authorizations once the CSP is approved 	<ul style="list-style-type: none"> CSP demonstrates need for the District, identifies accurate Public Improvement costs, and justifies a reasonable amount of Debt based on the cost of Public Improvements required by the CSP. Upon approval of the CSP, the district has a better understanding of the assessed valuation of the district for a more accurate revenue estimate. Allowing a district to obtain approval of a service plan with limitations prior to an approved CSP will still enable the district to proceed to an organizational election, putting in place a financing mechanism that can help attract builders to develop the site.
13. Geographic Financing for Regional Improvements in Large, Multi-phased Projects	Give City option to consider, in special circumstances, whether it is appropriate to require that different locations of a district that are responsible for the construction of regional improvements for a large, multi-phased development anticipated to be development over a long time horizon pay for	None	<ul style="list-style-type: none"> Add a statement to Chapter 66 of the City Code indicating that under certain circumstances for large, multi-phase developments with long time horizons for build-out, the City may make a determination that financing of regional Public Improvements that benefit the entire project could be geographically differentiated so that different locations of the project are responsible only for the improvements related to their phase and not for 	<ul style="list-style-type: none"> Provides option to consider a more equitable distribution of Public Improvement funding for long-term projects. Due to long time horizon, if future phases of the project do not build out in accordance with the originally estimated timeframe or development plan, development in the

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	improvements related only to their defined geographic location		<p>future phases in different geographical regions of the development.</p> <ul style="list-style-type: none"> • This would not apply to the majority of developments that are proposed in the city. • An example of this type of development is Parterre 	<p>first phases of the project will not be encumbered with a higher tax burden for development that hasn't occurred and may not occur.</p>
14. City Website Enhancements	<ul style="list-style-type: none"> • Provide better transparency and a clearinghouse of metro district information for residents and potential homebuyers • Ensure application information is up to date 	Current webpage set up mainly for applicants, rather than residents, with basic application resource information	<p>Revise and enhance webpage:</p> <ul style="list-style-type: none"> • <u>For residents</u>: Add FAQs and links to DOLA's page; identify disclosure requirements; include map and list of all metro districts in Thornton; link to interactive map • <u>For district applicants</u>: Ensure most up to date application information and forms are on website 	<ul style="list-style-type: none"> • Increased transparency • Easier for residents to find information in one place, and do their own research without having to contact City for basic information